

Message Text

CONFIDENTIAL

PAGE 01 BRASIL 00585 01 OF 02 221620Z

47

ACTION EB-07

INFO OCT-01 ARA-06 EUR-12 IO-10 ISO-00 AGR-05 CEA-01

CIAE-00 COME-00 DODE-00 FRB-03 H-01 INR-07 INT-05

L-02 LAB-04 NSAE-00 NSC-05 PA-01 RSC-01 AID-05

CIEP-01 SS-15 STR-01 TAR-01 TRSE-00 USIA-06 PRS-01

SP-02 FEAE-00 OMB-01 AF-06 EA-06 NEA-09 OIC-02 /127 W

----- 125184

P R 221245Z JAN 75

FM AMEMBASSY BRASILIA

TO SECSTATE WASHDC PRIORITY 7410

INFO USMISSION EC BRUSSELS

USMISSION GENEVA

AMCONSUL RIO DE JANEIRO

AMCONSUL SAO PAULO

C O N F I D E N T I A L SECTION 1 OF 2 BRASILIA 0585

E.OM11652: GDS

TAGS: PFOR, ETRD, GATT, BR

SUBJECT: USG PROTEST AGAINST BRAZILIAN IMPORT RESTRICTIONS

REF: BRASILIA 168 STATE 279836 BRASILIA 142

1. SUMMARY: EMBASSY SHARES CONCERNS OF WASHINGTON AGENCIES WITH RESPECT RECENT GOB IMPORT INCREASES: HOWEVER, WE BELIEVE THAT US SHOULD, IN FIRST INSTANCE, DEAL WITH ISSUES THROUGH BILATERAL CONSULTATIONS, EITHER IN BRASILIA OR GENEVA. POSSIBLE US MOVE, PARTICULARLY IF TAKEN IN GATT, SHOULD BE DIRECTED TOWARD SPECIFIC COMMODITY PROBLEMS OR TOWARD SPECIFIC PROVISIONS OF GOB IMPORT DECREES WHICH CONSTITUTE CLEAR OR APPARENT VIOLATION OF BRAZILIAN COMMITMENTS UNDER THE GATT. USG EFFORT TO SEEK ACROSS-THE-BOARD CONDEMNATION OR CRITIQUE OF GOB'S IMPORT PROGRAM WOULD BE BOUND TO FAIL, STRIKING AT CENTRAL ELEMENT OF GEISEL ADMINISTRATION'S OVERALL
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 BRASIL 00585 01 OF 02 221620Z

ECONOMIC STRATEGY. SUCH BROAD-SCALE US ATTACK ON GOVERNMENT'S

1975 IMPORT POLICIES COULD HAVE HIGHLY ADVERSE
POLITICAL REPERCUSSIONS, UNDERMINING BRAZIL'S RELATIVELY
MODERATE POSITION ON MTNS.
IT WOULD CREATE AN ADVERSE CLIMATE FOR POSSIBLE VISIT BY SECRE-
TARY
TO BRAZIL, IF TAKEN BEFORE SECRETARY'S VISIT, AND SERIOUSLY AFFECT
CREDIBILITY OF NEW DIALOGUE WITH BRAZIL. END SUMMARY.

2. IN CONSIDERATION BY WASHINGTON AGENCIES OF POSSIBILITY
OF RAISING QUESTION OF RESTRICTIVE IMPORT MEASURES WITH
GOB OR IN GATT, EMBASSY RECOMMENDS THAT FINAL DETERMINATION
MAKE A CAREFUL DISTINCTION BETWEEN OUR COMPLAINTS REGARDING
CLEAR OR APPARENT VIOLATION OF SPECIFIC GOB COMMITMENTS
IN GATT AND ELSEWHERE AND OUR ATTITUDE TOWARD BRAZIL'S
IMPORT PROGRAM AS A WHOLE, WHICH IS INTEGRAL PART OF
OVERALL STRATEGY TO ADJUST DOMESTIC ECONOMY TO EXTERNAL
CONSTRAINTS AND TO SAFEGUARD LONG-TERM STABILITY IN FACE
OF ADVERSE TRADE DEVELOPMENTS, PARTICULARLY EFFECTS OF
OIL CRISIS AND SCARCITY AND PRICE ESCALATION OF ESSENTIAL
IMPORTS. BRAZIL'S TRADE ACCOUNT LAST YEAR DETERIORATED
FROM A SMALL SURPLUS OF \$182 MILLION IN 1973 TO A DEFICIT
OF ABOUT \$5 BILLION. THE 1974 CURRENT ACCOUNT DEFICIT
WAS \$7 BILLION. IN ITS EFFORTS TO REDUCE THE EXTERNAL
DEFICIT TO A MANAGEABLE LEVEL, THE GOB IS CONTINUING ITS
SYSTEM OF MINI-DEVALUATIONS: AND HAS LOWERED ITS GROWTH
TARGET CONSIDERABLY BELOW THE 10 PERCENT AVERAGE OF THE
LAST SIX YEARS WHILE AT THE SAME TIME RE-ORDERING ITS
ECONOMIC PRIORITIES. THE GOB IS, THEREFORE, COMPLEMENTING
ITS IMPORT MEASURES WITH APPROPRIATE ADJUSTMENTS IN INTERNAL
ECONOMIC POLICIES SO AS NOT TO PLACE ALL THE
BURDEN OF ADJUSTMENT ON IMPORT MEASURES.

3. EMBASSY WOULD SUPPORT RECOMMENDATION TO RAISE ISSUE
OF SPECIFIC VIOLATIONS, SUCH AS IMPAIRMENT OF BOUND
CONCESSIONS, E.G., AS A RESULT OF FAILURE TO PROMULGATE
SCHEDULE 3 (FOREIGN MINISTRY COMMENT ON BOUND TARIFF
RATES WAS REPORTED IN BRASILIA 183.)

4. WITH RESPECT TO FOREIGN PURCHASES BY GOVERNMENT
ENTERPRISES, WE HAVE OUR DOUBTS THAT A STRONG CASE CAN
CONFIDENTIAL

CONFIDENTIAL

PAGE 03 BRASIL 00585 01 OF 02 221620Z

BE MADE. WE QUESTION WHETHER GATT ARTICLE XVII CAN BE
CONSTRUED TO APPLY TO MOST GOB ENTITIES INVOLVED, SINCE
THEY ARE NOT STATE TRADING ENTERPRISES BUT MAINLY GOVERNMENT-
CONTROLLED INDUSTRIES, E.G., RAILROADS, ENERGY,
MINING, AND ROAD-BUILDING, WHOSE IMPORTS
AFFECTED BY NEW MEASURES ARE LARGELY FOR THEIR OWN CONSUMPTION.
GOB MEASURES ON IMPORTS BY GOVERNMENT ENTITIES AMOUNT
ESSENTIALLY TO A BUREAUCRATIC TIGHTENING OF PROCUREMENT SUPERVISION

AND MORE RIGID APPLICATION OF IMPORT SUBSTITUTION PRACTICES.
OVER PAST FEW YEARS, ENFORCEMENT OF THESE PRACTICES FOR
IMPORTS BY STATE ENTERPRISES GREW FAIRLY LAX AND INDIVIDUAL
ENTITIES HAD CONSIDERABLE
LATITUDE IN DECIDING TO IMPORT OR
PURCHASE DOMESTICALLY FOR THEIR PROJECTS. ANY CHALLENGE BY
USG WOULD PROBABLY HAVE TO BE BASED ON ARGUMENTS AGAINST
IMPORT SUBSTITUTION PRINCIPLE OR LEGALITY OF "LAW OF SIMILARS".
RATHER THAN ON LESS SPECIFIC COMPLAINT, SUCH AS CHARGE THAT
IMPOSITION OF DISCIPLINE OVER STATE COMPANIES VIOLATES "FAIR
AND EQUITABLE TREATMENT" CALLED FOR UNDER PARA 2 OF GATT
ARTICLE XVII. HOWEVER, THERE DOES SEEM TO BE A BASIS TO ARGUE
THAT INSTRUCTIONS TO STATE ENTERPRISES TO FAVOR SUPPLIER
COUNTRIES WITH WHICH BRAZIL HAS A FAVORABLE TRADE BALANCE DOES
VIOLATE "FAIR AND EQUITABLE TREATMENT" PROVISION. INSTRUCTION
THAT ACCOMPANIED DECREE 74,908 (RIO A-151, DECEMBER 4, 1974)
INDICATED THAT IMPORTS BY GOVERNMENT SECTOR WOULD BE ORIENTED
AS TO "PREFERENCE TO SUPPLIERS' MARKETS FROM THE STANDPOINT
OF THE TRADE BALANCE" AND TO "POSSIBILITIES OF UTILIZING THE
PURCHASING POWER IN SPECIFIC SUPPLIERS' MARKETS AS AN ELEMENT
TO SUPPORT NATIONAL EXPORTS."

CONFIDENTIAL

NNN

CONFIDENTIAL

PAGE 01 BRASIL 00585 02 OF 02 221544Z

47

ACTION EB-07

INFO OCT-01 ARA-06 EUR-12 IO-10 ISO-00 AGR-05 CEA-01

CIAE-00 COME-00 DODE-00 FRB-03 H-01 INR-07 INT-05

L-02 LAB-04 NSAE-00 NSC-05 PA-01 RSC-01 AID-05

CIEP-01 SS-15 STR-01 TAR-01 TRSE-00 USIA-06 PRS-01

SP-02 FEAE-00 OMB-01 AF-06 EA-06 NEA-09 OIC-02 /127 W

----- 124681

P R 221245Z JAN 75

FM AMEMBASSY BRASILIA

TO SECSTATE WASHDC PRIORITY 7411

INFO USMISSION EC BRUSSELS

USMISSION GENEVA

AMCONSUL RIO DE JANEIRO

AMCONSUL SAO PAULO

C O N F I D E N T I A L SECTION 2 OF 2 BRASILIA 0585

5. EMBASSY'S PRINCIPAL CONCERN, HOWEVER, REGARDING POSSIBLE TRADE ACTION IN GATT OR BILATERALLY CENTERS ON IMPACT SUCH ACTION WOULD HAVE ON OUR OVERALL RELATIONS WITH BRAZIL PARTICULARLY IF SUCH A MOVE WAS INTERPRETED AS A BROAD ATTACK ON THE GOB'S IMPORT PROGRAM. IT WOULD CERTAINLY CREATE AN UNFAVORABLE CLIMATE FOR A POSSIBLE VISIT BY THE SECRETARY TO BRAZIL IN THE NEAR FUTURE AND WOULD ERODE THE CREDIBILITY OF HIS INITIATIVE FOR NEW DIALOGUE WITH LA.

6. AS DEPARTMENT IS AWARE, GOB SEES TRADE ISSUES AS CRITICAL IN TERMS OF NATIONAL INTEREST, AND THIS SENSITIVITY HAS INCREASED AS RESULT OF 1974 EXPERIENCES THAT REVEALED THE CONTINUING VULNERABILITY OF THE DOMESTIC ECONOMY TO VAGARIES OF THE EXTERNAL IBCT. FOREIGN MINISTER SILVEIRA ALLUDED TO SUCH CONCERNS TO DEPARTMENT OFFICERS DURING THE POLICY PLANNING TALKS WHEN HE CAUTIONED THAT THE US SHOULD NOT PERSIST WITH THE "COMFORTABLE BUT FALSE" ASSUMPTION THAT BRAZIL WAS NO LONGER AN UNDERDEVELOPED COUNTRY. THE OUTCOME OF THE COUNTERVAILING
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 BRASIL 00585 02 OF 02 221544Z

DUTY ACTION ON IMPORTS OF BRAZILIAN SHOES HAS NOT ALLAYED FEARS THAT THE US WOULD LIKE TO UNDERMINE THE GOB'S BROAD EXPORT DRIVE AND POSSIBILITY OF FURTHER COUNTERVAILING ACTIONS (OF WHICH THE GOB IS KEENLY AWARE) SERVES TO KEEP SUSPICIONS ALIVE.

7. FURTHER POINT TO TAKE INTO CONSIDERATION REGARDING POSSIBILITY OF RAISING TRADE ISSUE WITH BRAZIL IS THAT IN TRADE MATTERS, PARTICULARLY THOSE RELATED TO MTN, BRAZIL HAS MAINTAINED POSITION APART FROM RADICAL LATIN AMERICANS (VIZ PERU, VENEZUELA) AND HAS WORKED TO PURSUE LDC TRADE OBJECTIVES IN GENERALLY RESPONSIBLE MANNER. IF DECISION IS TAKEN TO PURSUE INITIATIVE CRITICAL OF IMPORT PROGRAM AND WE EMPHASIZE THAT CRITICISM SHOULD BE SPECIFIC RATHER THAN GENERAL - EMBASSY BELIEVES THAT OUR BEST INTERESTS, AT LEAST INITIALLY, LIE IN PURSUING OUR COMPLAINTS BILATERALLY, EITHER IN BRASILIA OR GENEVA, RATHER THAN TAKING INITIATIVE IN GATT.
CRIMMINS

CONFIDENTIAL

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: POLICIES, IMPORT CONTROLS, ECONOMIC PROGRAMS
Control Number: n/a
Copy: SINGLE
Draft Date: 22 JAN 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: GolinoFR
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975BRASIL00585
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D750024-0300
From: BRASILIA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750131/aaaabbjy.tel
Line Count: 214
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EB
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 75 BRASILIA 168, 75 STATE 279836, 75 BRASILIA 142
Review Action: RELEASED, APPROVED
Review Authority: GolinoFR
Review Comment: n/a
Review Content Flags:
Review Date: 10 APR 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <10 APR 2003 by KelleyW0>; APPROVED <14 APR 2003 by GolinoFR>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
05 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: USG PROTEST AGAINST BRAZILIAN IMPORT RESTRICTIONS
TAGS: PFOR, ETRD, BR, GATT
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006